



General Assembly

February Session, 2002

Amendment

LCO No. 3313

HB0545803313HD0

Offered by:

REP. FELTMAN, 6th Dist.

REP. NEWTON, 124th Dist.

To: Subst. House Bill No. 5458

File No. 498

Cal. No. 39

***"AN ACT MAKING MINOR CHANGES TO THE INSURANCE
STATUTES."***

1 After line 28, add the following:

2 "Sec. 3. Section 38a-686 of the general statutes is repealed and the
3 following is substituted in lieu thereof (*Effective October 1, 2002*):

4 The following standards, methods and criteria shall apply to the
5 making and use of rates pertaining to personal risk insurance:

6 (a) Rates shall not be excessive, inadequate or unfairly
7 discriminatory.

8 (1) A rate in a competitive market is not excessive. A rate in a
9 noncompetitive market including a rate for insurance provided
10 pursuant to sections 38a-328, 38a-329 and 38a-670 is excessive if it is
11 unreasonably high for the insurance provided.

12 (2) No rate shall be held inadequate unless (A) it is unreasonably

13 low for the insurance provided, and (B) continued use of it would
14 endanger solvency of the insurer, or unless (C) such rate is
15 unreasonably low for the insurance provided and the use of such rate
16 by the insurer using same has, or, if continued will have, the effect of
17 destroying competition or creating a monopoly.

18 (b) In determining whether rates comply with the excessiveness
19 standard in a noncompetitive market under subdivision (1) of
20 subsection (a) of this section, the inadequacy standard under
21 subdivision (2) of subsection (a) of this section and the requirement
22 that rates not be unfairly discriminatory, the following criteria shall
23 apply:

24 (1) Consideration may be given, to the extent possible, to past and
25 prospective loss experience within and outside this state, to
26 conflagration and catastrophe hazards, to a reasonable margin for
27 underwriting profit and contingencies, to past and prospective
28 expenses both country-wide and those specially applicable to this
29 state, to investment income earned or realized by insurers both from
30 their unearned premium and loss reserve funds, and to all other
31 factors, including judgment factors, deemed relevant within and
32 outside this state and in the case of fire insurance rates, consideration
33 may be given to the experience of the fire insurance business during
34 the most recent five-year period for which such experience is available.
35 Consideration may be given in the making and use of rates to
36 dividends, savings or unabsorbed premium deposits allowed or
37 returned by insurers to their policyholders, members or subscribers.

38 (2) The systems of expense provisions included in the rates for use
39 by an insurer or group of insurers may differ from those of other
40 insurers or groups of insurers to reflect the operating methods of any
41 such insurer or group with respect to any kind of insurance, or with
42 respect to any subdivision or combination thereof.

43 (3) Risks may be grouped by classifications for the establishment of
44 rates and minimum premiums, provided that with respect to private

45 passenger nonfleet automobile insurance, any change in territorial
46 classifications shall be subject to prior approval by the Insurance
47 Commissioner, and provided no surcharge on any motor vehicle
48 liability or physical damage insurance premium may be assigned for
49 (A) any accident involving only property damage of one thousand
50 dollars or less, or (B) the first accident involving only property damage
51 of more than one thousand dollars which would otherwise result in a
52 surcharge to the policy of the insured, within the experience period set
53 forth in the insurer's safe driver classification plan, or (C) any violation
54 of section 14-219 unless such violation results in the suspension or
55 revocation of the operator's license under section 14-111b, or (D) less
56 than three violations of section 14-218a within any one-year period, or
57 (E) any accident caused by an operator other than the named insured,
58 a relative residing in the named insured's household, or a person who
59 customarily operates the insured vehicle, or (F) the first or second
60 accident within the current experience period in relation to which the
61 insured was not convicted of a moving traffic violation and was not at
62 fault, or (G) any motor vehicle infraction. Subparagraph (G) of this
63 subdivision shall not be applicable to any plan established pursuant to
64 section 38a-329. Classification rates may be modified to produce rates
65 for individual risks in accordance with rating plans which provide for
66 recognition of variations in hazards or expense provisions or both.
67 Such rating plans may include application of the judgment of the
68 insurer and may measure any differences among risks that can be
69 demonstrated to have a probable effect upon losses or expenses.

70 (4) Each rating plan shall establish appropriate eligibility criteria for
71 determining significant risks which are to qualify under the plan.
72 Rating plans which comply with the provisions of this subdivision
73 shall be deemed to produce rates which are not unfairly
74 discriminatory.

75 (c) Notwithstanding the provisions of subsections (a) and (b) of this
76 section, no rate shall include any adjustment designed to recover
77 underwriting or operating losses incurred out-of-state.

78 (d) Notwithstanding the provisions of subsections (a) and (b) of this
79 section, with respect to private passenger nonfleet automobile
80 insurance, no rate or premium may reflect an individual's credit
81 history unless the credit history concerns nonpayment or late payment
82 of automobile insurance premiums.

83 ~~[(d)]~~ (e) The commissioner may adopt regulations in accordance
84 with the provisions of chapter 54 concerning rating plans to effectuate
85 the provisions of this section.

86 Sec. 4. (NEW) (*Effective October 1, 2002*) No insurer may cancel,
87 refuse to issue or refuse to renew a policy for private passenger
88 nonfleet automobile insurance based on an individual's credit history
89 unless the credit history concerns nonpayment or late payment of
90 automobile insurance premiums."